

MEMORANDUM FOR THE PRESIDENT

FROM: HENRY A. KISSINGER

SUBJECT: Contingency Budgets and SALT II

Attached at Tab A is Secretary Schlesinger's response to your request for a supplementary budget proposal as a contingency in the event of the failure of negotiations for a SALT II agreement.

With respect to this formal proposal, it should be noted that the recommended program is substantially different from that outline proposal which Schlesinger had previously given you (Tab B), in that the proposed expenditures are much more modest. For example, the incremental expenditures in FY-80 would be only \$2.4 billion, in contrast to the \$5.8 billion contained in his earlier estimate. The principle reasons for this reduction are that there is no procurement of ALCM's, strategic SLCM's, or MX and little acceleration in the B-1 program, in contrast to the earlier estimate.

This latest Defense proposal is in many ways an unusual document, especially when seen in the light of Defense's frequently expressed concerns regarding the negotiation of a SALT II agreement which might in some manner be disadvantageous to the U.S. What this proposed program seems to indicate is that the U.S. would be able to live with a wider gap between U.S. and Soviet strategic forces capabilities without a SALT agreement than we could with a SALT agreement.

In the event we are not able to negotiate a SALT II agreement, we must recognize that, at the absolute minimum, the Soviet Union would then not reduce the numbers of its strategic delivery vehicles from the roughly 2,600 it now possesses to the 2,400 agreed upon in Vladivostok nor would there be any restrictions on production or employment of the Backfire aircraft. In addition, it would not be unrealistic to expect that the Soviet Union would move toward an expanded strategic program at least of the magnitude of the high NIE estimate -- substantially increasing numbers, warheads, and throwweight.

OSD Review Completed

ON-FILE OMB RELEASE INSTRUCTIONS APPLY

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The program proposed by Defense, on the other hand, does not contain increased numbers of weapons, at least over the next several years. The only numerical change recommended is in the number of warheads, this through procurement of an additional 100 MM III's. Other than that, the major changes proposed in the strategic program represent only a modest acceleration of already planned deployment.

In addition, many of the changes recommended appear to be completely independent of whether or not a SALT II agreement is negotiated. Changes in command and control, improvements in intelligence capability and modifications in General Purpose Forces, if important, should be made irrespective of the outcome of negotiations on SALT II. In fact, virtually everything proposed in the Defense contingency program can be done under a SALT II agreement just as well as in the absence of such an agreement.

Based on the Defense proposals, it is difficult to avoid the conclusion either that Defense's concerns over a disadvantageous SALT agreement have been greatly overdrawn; that the current programs represent essentially all that is needed under any circumstances and SALT II is therefore basically a unilateral concession to the U. S. ; or that the proposed contingency Defense program substantially understates what is actually required.

OMB has provided its comments on the contingency budget proposals (Tab C). The OMB paper points out that only the continuation of MM III MIRV production would affect near term capabilities and that the other elements of the strategic proposals would improve capabilities only in the 1980's. OMB also notes that the proposals for add-ons in other categories, such as General Purpose Forces, command and control and intelligence, have little relevance to perceived strategic capabilities and are likely to be resisted by Congress. OMB recommends a "zero budget amendment" for 1976 and 1977, restoring proposed Trident and B-1 reductions and offsetting these increases with decreases in other programs. OMB claims this would signal a shift of emphasis toward strategic systems while remaining within fiscal totals.